

MEMORANDUM TO: Mayor & City Council

FROM: David B. Humpton
Tony Tomasello

DATE: November 1, 2006

SUBJECT: Bozzuto Project – Possible Incentives

As was pointed out at a recent Mayor and Council meeting, there has not been a material project begun in Olde Towne in several years. Our Strategic Plan established that we would actively pursue development and redevelopment in Olde Towne. In the past we have successfully used financial incentives to move projects forward. Examples of this are the Park Station Apartments and the 12 and 16 South Summit Avenue office buildings.

Last year, the City sold property in the area of North Summit Avenue and Park Avenue to Bozzuto Homes to build a forty-five unit housing development. The project closely follows the plan for the site envisioned by the Olde Towne Gaithersburg Master Plan adopted in 2005.

The project broke ground just as market conditions were beginning to rapidly deteriorate and construction at the site has now stopped. We understand that only one or two units are under contract to date. We would like the Mayor and Council to consider the possibility of partnering with the developer to provide some limited financial incentives to the developer. Specifically we are thinking of providing some sort of matching fund to provide prospective homeowners with closing cost and down payment assistance. This would be offered under the contingency that a certain minimum number of units be completed within the next year, and that the assistance would be a reimbursement as units are sold and settled.

In addition to being an important project to sustaining momentum in Olde Towne, other associated goals could be furthered as well. This is a home-ownership project and the units are priced at what we believe to be the lowest cost per square foot in the City, if not all of central Montgomery County. Many of the buyers are likely to be first-time homeowners and all the new residents would support the local merchant community, MARC station, etc. The development is also expected to generate substantial permit fees during the construction phase, and subsequent positive net tax revenues to the City when completed.

Staff will be seeking feedback on this topic at the Mayor and Council meeting Monday night. We would then bring back a resolution containing specific details on November 20th. Please feel free to contact either of us with questions or comments.